

**Intact Financial Corporation, RSA UK Pension Trustees and Pension Insurance Corporation plc announce £6.5 billion UK pension buy-in agreement**

- **Removes pension exposure on Intact's balance sheet by fully insuring its UK defined benefit pension liabilities with PIC**
- **Maintains the security of benefits to RSA UK pension scheme members**
- **Eliminates annual £75 million funding contribution and releases approximately £150 million of capital**
- **Intact to make contribution of approximately £500 million, using excess capital, debt, hybrid capital and/or preferred shares to complete the buy-in**
- **Expected to improve Operating Return on Equity (OROE)<sup>1</sup> by approximately 100 bps, with single-digit dilution to Book Value Per Share (BVPS)**

**TORONTO, February 27, 2023** - Intact Financial Corporation (TSX: IFC) (Intact, IFC or the Company) today announced that the RSA UK Pension Trustees have entered into an agreement with Pension Insurance Corporation plc (PIC) for Bulk Purchase Annuities (or "buy-ins") with respect to £6.5 billion of RSA UK pension plan liabilities. The buy-ins fully insure the defined benefit liabilities of the Royal Insurance Group Pension Scheme and the Sal Pension Scheme (the "Pension Schemes") to PIC, a specialist insurer of defined benefit pension schemes.

"The current market environment provides an excellent opportunity to remove UK pension exposure on IFC's balance sheet," said Louis Marcotte, Executive Vice President and Chief Financial Officer, Intact Financial Corporation. "This transaction represents a cost-effective de-risking, with the upfront payment approximately equal to the remaining annual funding contributions and the capital released. Meanwhile, the key metrics related to our RSA acquisition continue to be very strong, and the buy-ins strengthen our ability to pursue growth opportunities."

### **Strategic rationale**

The transaction fulfills several strategic objectives:

- Transfers substantially all remaining economic and demographic risks associated with the Pension Schemes to a strong and specialized insurance counterparty, removing balance sheet exposure to pension risks that are non-core to Intact's business.
- Supports Intact's ROE<sup>1</sup> outperformance objective by improving capital efficiency.
- Eliminates Intact's obligation to contribute £75 million per year to the schemes and releases approximately £150 million of capital, which in aggregate are approximately equal to the upfront contribution.
- Enhances the Company's ability to capture future strategic opportunities as Intact would not be constrained by the responsibility of managing £6.5 billion of pension liabilities. In part, this entails the removal of substantially all future funding needs and capital requirements related to the Pension Schemes.

### **Transaction financing**

IFC will facilitate this transaction through an upfront contribution to the Pension Schemes of approximately £500 million.

- The transaction is expected to be funded using approximately \$300 million of excess capital, \$300 million of hybrid capital and/or preferred share issuance, as well as short term debt.

### Financial impact

- Intact expects that net operating income per share (“NOIPS”)<sup>1</sup> will decrease by approximately 1.5% in the first full year after closing due to the financing costs associated with the transaction.
- The transaction will temporarily increase the tax on non-operating income as the deductibility of the upfront contribution will be spread out over three years. This results in deferred tax assets being reclassified to Other Comprehensive Income from non-operating income, with a neutral net impact on shareholders’ equity.
- BVPS is expected to decrease by approximately 5% from December 31, 2022. This reflects the payment of the upfront contribution, as well as the derecognition of the approximately £200 million accounting surplus related to the Pension Schemes, partially offset by the favourable adjustment resulting from the adoption of the IFRS 17 accounting standard on January 1, 2023.
- The transaction is expected to increase IFC’s OROE<sup>1</sup> by approximately 100 bps in the first full year after closing. This reflects the release of capital held against pension risk and the elimination of the pension surplus, which were dilutive to OROE<sup>1</sup>.
- Capital ratios in all jurisdictions will remain in line with our target operating levels, and well above regulatory requirements.
- The adjusted debt-to-total capital ratio is expected to increase by less than 2 points to under 23% at the end of Q1 2023, and return to pre-transaction levels by year-end 2023. Intact does not expect that its external credit ratings will be impacted.
- All key performance metrics related to the RSA acquisition are expected to remain consistent with guidance, including internal rate of return (IRR) above 20%, NOIPS<sup>1</sup> accretion of approximately 20%, and at least \$350 million of pre-tax annual run-rate synergies by 2024.
- Due to certain regulatory restrictions, approximately £0.6 billion of the Pension Schemes’ assets will be liquidated over the next 12-18 months and the proceeds transferred to PIC. Intact does not expect to have any additional financing requirements in relation to this transfer. As such, the earnings impact of this deferred payment is expected to be immaterial.

Intact were advised on the transaction by Lane Clark and Peacock (LCP) and Slaughter and May.

For more details on this transaction, please visit the [Events and Presentations](#) section of the Intact Financial Corporation website.

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<sup>1</sup> This measure is a non-GAAP ratio, which does not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures used by other companies in our industry. For historical information about these measures, please see Section 36 – Non-GAAP and other financial measures in our Management’s Discussion and Analysis for the year ended December 31, 2022 which is available on our web site at [www.intactfc.com](http://www.intactfc.com) or on SEDAR at [www.sedar.com](http://www.sedar.com).

### **About Intact Financial Corporation**

Intact Financial Corporation (TSX: IFC) is the largest provider of property and casualty (P&C) insurance in Canada, a leading provider of global specialty insurance, and, with RSA, a leader in the U.K. and Ireland. Our business has grown organically and through acquisitions to over \$21 billion of total annual premiums.

In Canada, Intact distributes insurance under the Intact Insurance brand through a wide network of brokers, including its wholly-owned subsidiary BrokerLink, and directly to consumers through belairdirect. Intact also provides affinity insurance solutions through the Johnson Affinity Groups.

In the US, Intact Insurance Specialty Solutions provides a range of specialty insurance products and services through independent agencies, regional and national brokers, and wholesalers and managing general agencies.

Outside of North America, the Company provides personal, commercial and specialty insurance solutions across the U.K., Ireland, and Europe through the RSA brands.

### **About PIC**

The purpose of PIC is to pay the pensions of its current and future policyholders. PIC provides secure retirement incomes through comprehensive risk management and excellence in asset and liability management, as well as exceptional customer service. At 30 June 2022, PIC had insured 293,400 pension scheme members and had £44.1 billion in financial investments, accumulated through the provision of tailored pension insurance buyouts and buy-ins to the trustees and sponsors of UK defined benefit pension schemes. To date, PIC has made total pension payments of almost £9 billion to its policyholders. Clients include FTSE 100 companies, multinationals and the public sector. PIC is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority (FRN 454345). For further information please visit [www.pensioncorporation.com](http://www.pensioncorporation.com).

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## **Forward-Looking Statements**

Certain statements made in this press release are forward-looking statements. These statements include, without limitation: statements relating to the anticipated benefits and other impacts of the transaction, the sources of funding for the upfront contribution, and the anticipated effect on OROE, BVPS, NOIPS, debt-to-total capital ratio, IRR and pre-tax annual run-rate synergies. All such forward-looking statements are made pursuant to the 'safe harbour' provisions of applicable Canadian securities laws.

Forward-looking statements are based on estimates and assumptions made by management based on management's experience and perception of historical trends, current conditions and expected future developments, as well as other factors that management believes are appropriate in the circumstances. Many factors could cause the Company's actual results, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements. In the case of estimated claims and losses, due to the preliminary nature of the information available to prepare estimates, future estimates and the actual amount and categorization of claims and losses associated with events described above may be materially different from current estimates.

All of the forward-looking statements included in this press release are qualified by these cautionary statements and those made in the "Risk Management" sections of our 2022 Management's Discussion and Analysis (Sections 30-34), in Notes 10 and 13 of our Consolidated Financial Statements for the year ended December 31, 2022 and in our Annual Information Form dated February 7, 2023, all of which are available on our web site at [www.intactfc.com](http://www.intactfc.com) or on SEDAR at [www.sedar.com](http://www.sedar.com). The buy-in transaction is also subject to certain risks including that the benefits of the transaction may fail to materialize as anticipated. This may adversely impact the financial performance of Intact. These factors are not intended to represent a complete list of the factors that could affect the Company. These factors should, however, be considered carefully. Although the forward-looking statements are based upon what management believes to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. When relying on forward-looking statements to make decisions, investors should ensure the preceding information is carefully considered. Undue reliance should not be placed on forward-looking statements made in this press release. The Company has no intention and undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.